

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Tidelands Bancshares, Inc./Tidelands Bank

Point of Contact:	Dorothy Roessler, VP-Risk Management & Audit	RSSD: (For Bank Holding Companies)	3185476
UST Sequence Number:	246	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	144,480,000	FDIC Certificate Number: (For Depository Institutions)	57594
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 19, 2008	City:	Mount Pleasant
Date Repaid ¹ :	N/A	State:	South Carolina

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

CPP funds allowed the reduction of loan volume to be less than it otherwise would have been.

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☐ To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

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X Increase reserves for non-performing assets.

The bank was able to increase the ALLL Provision significantly during the first half of 2011 by \$9.75 million, and by \$869 thousand in the second half of 2011. CPP capital reduced the pressure on bank reserves as we worked through post-recession non-performing assets.

X Reduce borrowings.

During 2011 wholesale deposits were completely rolled off the bank balance sheet and liquidity ratios improved in the second half of 2011.

X Increase charge-offs.

The bank was able to charge-off \$12.5 million in 2011 supported by this capital, while maintaining ratios that kept the bank "adequately" capitalized per Call Reports in 2011.

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☐ Purchase another financial institution or purchase assets from another financial institution.

☐ Held as non-leveraged increase to total capital.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Tidelands was able to maintain viable operations while working through a very difficult economic scenario in our area. Without the funds, there could have been a "going concern" issue that might have forced less desirable choices regarding ownership. Also, the bank avoided shutting off lending to creditworthy customers - both consumer and commercial. This available credit benefitted the community as well, allowing those customers to recover and start to grow their businesses again, all which helped maintain jobs in a state with relatively high unemployment levels during this recession.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

CPP funds allowed management to shrink the bank and absorb a level of losses in 2010 and early 2011 that would not have been sustainable without those funds. This gave management time to make significant changes in many areas to reduce expenses and manage the balance sheet. We worked through credit issues with many borrowers and were able to clear unworkable credits with others. This was accomplished while maintaining capital ratios that meet the definition of an adequately capitalized bank. During 2011 the bank stabilized - generating net income in the second half while steadying deposit levels.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.